

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1183

March 2, 2015

SUMMARY OF BILL: Authorizes RedTail Mountain Resort and Golf in Johnson County to sell alcoholic beverages for on-premises consumption as a premier type tourist resort.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$1,400/One-Time/ABC Fund
\$1,100/Recurring/ABC Fund
Exceeds \$1,600/Recurring/General Fund**

Increase Local Revenue – Exceeds \$1,000/Recurring/Permissive

Assumptions:

- This bill only applies to RedTail Mountain Resort and Golf in Johnson County.
- This establishment is assumed to currently hold a restaurant license for which the annual fee is \$925, payable to the Tennessee Alcoholic Beverage (ABC) Commission.
- Under the provisions of this legislation, this establishment will be licensed as a premier type tourist resort, with a one-time application fee of \$300 and a recurring license renewal fee of \$2,000. The resulting one-time increase in revenue to the ABC Fund is estimated to be \$1,375 (\$300 + \$2,000 - \$925); the recurring increase in revenue to the ABC Fund is estimated to be \$1,075 (\$2,000 - \$925).
- No additional personnel or resources will be required by the ABC.
- It is assumed that this establishment will first be licensed as a premier type tourist resort in FY15-16.
- Authorizing the resort to sell alcoholic beverages for consumption on the resort's premises, including, but not limited to, the clubhouse, restaurant, gift and pro shop, swimming pool, tennis courts, golf courses, and paths and road crossings, will result in a recurring increase in gross sales of alcoholic beverages.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on the additional sales of alcoholic beverages. It is assumed that the facility is currently paying all applicable local privilege taxes, which will remain unchanged.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Johnson County is 1.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.

- Based on the interquartile average of 2013 LBD tax returns generated by the Department of revenue, and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year.
- Absent any specific detail data on the current sales of alcoholic beverages at this venue, we can only substitute the average taxable base (\$110,000 per year) to estimate the effect of a marginal increase in sales triggered by designation as a premier tourist resort. If allowing alcohol sales and consumption on the entire resort will result in a recurring increase in taxable sales of at least ten percent, that's an increase in taxable sales of \$11,000 ($\$110,000 \times 10.0\%$).
- The recurring increase in state revenue to the General Fund is estimated to exceed \$1,567 [$(\$11,000 \times 7.0\%) - (\$11,000 \times 7.0\% \times 3.617\%) + (\$11,000 \times 15.0\% \times 50.0\%)$].
- The recurring increase in local revenue is estimated to exceed \$1,018 [$(\$11,000 \times 1.5\%) + (\$11,000 \times 7.0\% \times 3.617\%) + (\$11,000 \times 15.0\% \times 50.0\%)$].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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